

ORIGINAL



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MEMORANDUM

30

TO: Docket Control

FROM: Ernest G. Johnson *EGJ*
Director
Utilities Division

Date: November 13, 2006

RE: STAFF REPORT FOR HAROLD & MARY FRARER DBA F & F WATER COMPANY – APPLICATION FOR APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE TO ST. DAVID SPRINGS, L.L.C. (DOCKET NO. W-01898A-06-0326 AND W-20460A-06-0326)

Attached is the Staff Report for Harold & Mary Frarer dba F & F Water Company application for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity for water service to St. David Springs, L.L.C., an Arizona Limited Liability Company. Staff is recommending approval with conditions.

EGJ:BNC:tdp

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

NOV 13 2006

DOCKETED BY <i>EGJ</i>	<i>NR</i>
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Service List for: Harold & Mary Frarer dba F & F Water Company
Docket No. W-01898A-06-0326 and W-20460A-06-0326

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

HAROLD & MARY FRARER DBA F & F WATER COMPANY

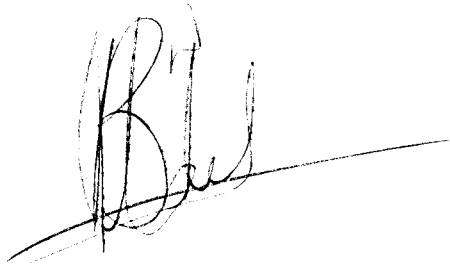
DOCKET NOS. W-01898A-06-0326 AND W-20460A-06-0326

APPLICATION FOR APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER
OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY TO ST. DAVID SPRINGS, L.L.C.

NOVEMBER 13, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for Harold & Mary Frarer dba F & F Water Company (Docket Nos. W-01898A-06-0326 and W-20460A-06-0326) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to read 'Del Smith', with a long horizontal stroke extending to the right.

Del Smith
Utilities Engineer Supervisor

EXECUTIVE SUMMARY
HAROLD & MARY FRARER DBA F & F WATER COMPANY
DOCKET NOS. W-01898A-06-0326 AND W-20460A-06-0326

On May 10, 2006, Harold & Mary Frarer dba F & F Water Company ("F & F" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to St. David Springs, L.L.C. ("St. David" and "Transferee"), an Arizona Limited Liability Company. On September 28, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code.

F & F is a partnership that provides water utility service to two customers, in Cochise County, Arizona. By this application, the Company is seeking Commission approval of the sale of its assets and transfer of its CC&N to St. David Springs, L.L.C., an Arizona Limited Liability Company, in good standing with the Commission's Corporation Division. F & F's service area is located approximately ten miles southeast of Benson. The Company's CC&N covers an area of approximately 40 acres in the southeast quarter of Section 28 in Township 18 South, Range 21 East. Staff has been informed that St. David intends to develop the area within the CC&N and will be installing a new water system to serve the CC&N.

Staff recommends the Commission approve F & F's application for approval of the sale of its assets and transfer of its CC&N for water service, within portions of Cochise County, Arizona, to St. David, subject to compliance with the following conditions:

1. To require St. David to charge F & F's authorized rates and charges in the transfer area.
2. To require St. David to read its well meter and individual customer meters on a monthly basis so as to accurately complete the attached plant summary and water use data sheets. The completed plant summary and water use data sheets shall be filed with Docket Control as a compliance item in this case within 12 months of the effective date of the Decision in this matter.
3. To require St. David to file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. The tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/Curtailment-std.pdf. St. David may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.
4. To require St. David to file a rate application no later than six-months following the fifth anniversary of the effective date of the Decision in this matter.

Staff further recommends that the Commission's Decision granting the approval for the sale of assets and transfer of CC&N to St. David be considered null and void, after due process, should St. David fail to meet Condition No. 2, 3, and 4 listed above within the time specified.

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Introduction

On May 10, 2006, Harold & Mary Frarer dba F & F Water Company ("F & F" or "Company" or "Transferor") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to St. David Springs, L.L.C. ("St. David" or "Transferee"), an Arizona Limited Liability Company.

On June 9, 2006, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On July 31, 2006, August 9, 2006, September 1, 2006, and September 14, 2006, the Company provided additional documentation to support its relief requested.

On September 28, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

F & F is a partnership that provides water utility service to two customers, in Cochise County, Arizona. The Commission granted the Company a CC&N in Decision No. 46638, issued on December 31, 1975, in Docket No. U-1898. The Company's CC&N covers an area of roughly 40 acres in the southeast quarter of Section 28 in Township 18 South, Range 21 East.

The Water System

Complete water company plant description data is not available for the Company's water system. According to F & F, the system consists of one well¹, one 10,000 gallon storage tank, one pressure tank and a distribution system serving two metered connections. Staff believes that the system has adequate production and storage capacity. However, Staff was not able to verify this because of the lack of sufficient plant and water use data.

Staff has been informed by F & F that it has not been reading its well meter or customer meters on a regular basis. In addition to being required for customer billing purposes this information is also necessary in determining if the system has unacceptable water loss. Staff recommends that the Transferee be required to read its well meter and individual customer meters on a monthly basis so as to accurately complete the attached plant summary and water use data sheets. Staff further recommends that the completed plant summary and water use data

¹ The well is equipped with a ¾ inch well meter and 12 inch casing to a depth of approximately 300 feet. Pump yield data for the well could not be provided. The well pump is powered by a gasoline engine which is operated as needed to fill the storage tank.

sheets be filed with Docket Control as a compliance item in this case within 12 months of the effective date of the Decision in this matter.

The Transaction

F & F provides water service to two metered water connections² in Cochise County, Arizona. By this application, the Company is seeking Commission approval of the sale of its assets and transfer of its CC&N to St. David Springs, L.L.C., an Arizona Limited Liability Company, in good standing with the Commission's Corporation Division. F & F's service area is located approximately ten miles southeast of Benson. The Company's CC&N covers an area of approximately 40 acres in the southeast quarter of Section 28 in Township 18 South, Range 21 East. Staff has been informed that St. David intends to develop the area within the CC&N and will be installing a new water system to serve the CC&N. St. David Water Improvement District, a non-jurisdictional entity, serves an area approximately two miles north of the F & F's CC&N.

According to the application, there are no refunds due on customer security deposits; meter and line installations; nor any main extension agreements.

Arizona Department of Environmental Quality ("ADEQ") Compliance

The F & F Water system is not regulated by ADEQ because it is a semi-public system.

Arizona Department of Water Resources ("ADWR") Compliance

The Company is not located in an Active Management Area ("AMA") and subsequently is not subject to ADWR reporting and conservation rules.

ACC Compliance

A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for F & F.³

Arsenic

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The date for compliance with the new MCL is January 23, 2006. Since F & F is a semi-public system, the arsenic requirement does not apply.

² See Company's responses, docketed September 1, 2006, to Staff's 1st Insufficiency letter.

³ Per Compliance Section email dated May 26, 2006.

Curtailment Plan Tariff

A Curtailment Plan Tariff ("CPT") is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events.

F & F does not have a CPT. Therefore, Staff recommends that the Transferee file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/Curtailment-std.pdf. Staff recognizes that the Transferee may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

Proposed Rates

St. David will provide water service to the transfer area under F & F's authorized rates and charges.

County Franchise

Every applicant for a CC&N and/or CC&N Transfer is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

On October 11, 2006, the Transferee filed, in the docket, a copy of its Cochise County franchise agreement.

Recommendations

Staff recommends the Commission approve F & F's application for approval of the sale of its assets and transfer of its CC&N for water service, within portions of Cochise County, Arizona, to St. David, subject to compliance with the following conditions:

1. To require St. David to charge F & F's authorized rates and charges in the transfer area.
2. To require St. David to read its well meter and individual customer meters on a monthly basis so as to accurately complete the attached plant summary and water use data sheets. The completed plant summary and water use data sheets shall be filed with Docket Control as a compliance item in this case within 12 months of the effective date of the Decision in this matter.


3. To require St. David to file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. The tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/Curtailment-std.pdf. St. David may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.
4. To require St. David to file a rate application no later than six-months following the fifth anniversary of the effective date of the Decision in this matter.

Staff further recommends that the Commission's Decision granting the approval for the sale of assets and transfer of CC&N to St. David be considered null and void, after due process, should St. David fail to meet Condition No. 2, 3, and 4 listed above within the time specified.

MEMORANDUM

DATE: October 3, 2006

TO: Blessing Chukwu

FROM: Del Smith 

RE: Application of Harold & Mary Frarer dba F & F Water Company for Approval of the Sale of its Assets and Transfer of its Certificate of Convenience and Necessity (Docket Nos. W- 01898A-06-0326 and W-20460A-06-0326)

Introduction

On May 10, 2006, Harold & Mary Frarer ("the Applicants") dba F & F Water Company ("F & F Water" or "the Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Cochise County, Arizona. The purpose of this Application is to transfer the assets and the CC&N from the Applicants to St. David Springs, L.L.C ("St. David"). F & F Water's service area is located approximately ten miles southeast of Benson. The Company has two metered water connections.¹ The Commission granted the Company a CC&N in Decision No. 46638 dated December 31, 1975. The Company's CC&N covers an area of roughly 40 acres in the southeast quarter of Section 28 in Township 18 South, Range 21 East. Staff has been informed by the Applicants that the new owner intends to develop the area within the CC&N and will be installing a new water system to serve the CC&N. St. David Water Improvement District, a non-jurisdictional entity, serves area approximately two miles north of the Company's CC&N.

F & F Water System

Complete water company plant description data is not available for the Company's water system. According to the Applicants the system consists of one well², one 10,000 gallon storage tank, one pressure tank and a distribution system serving two metered connections. Staff believes that the system has adequate production and storage capacity however Staff was not able to verify this because of the lack of sufficient plant and water use data.

¹ See Company's responses, docketed September 1, 2006, to Staff's 1st Insufficiency letter.

² The well is equipped with a ¾ inch well meter and 12 inch casing to a depth of approximately 300 feet. Pump yield data for the well could not be provided. The well pump is powered by a gasoline engine which is operated as needed to fill the storage tank.

Staff has been informed by the Applicants that F & F Water has not been reading its well meter or customer meters on a regular basis. In addition to being required for customer billing purposes this information is also necessary in determining if the system has unacceptable water loss. Staff recommends that St. David be required to read its well meter and individual customer meters on a monthly basis so as to accurately complete the attached plant summary and water use data sheets. Staff further recommends that the completed plant summary and water use data sheets be filed with Docket Control as a compliance item in this case within 12 months of the effective date of the Commission's Decision in this matter.

Arizona Department of Environmental Quality ("ADEQ") Compliance

The F & F Water system is not regulated by ADEQ because it is a semi-public system.

Arizona Department of Water Resources ("ADWR") Compliance

F & F Water is not within any Active Management Area, and consequently is not subject to ADWR reporting and conservation rules.

ACC Compliance

A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for F & F Water.³

Curtailment Tariff

A curtailment tariff is an effective tool to allow a water company to manage its resources during periods of shortages due to pump breakdowns, droughts, or other unforeseeable events. Since F & F Water does not have a curtailment tariff, Staff recommends that St. David file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at www.cc.state.az.us/utility/forms/Curtailment-std.pdf. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to their specific management, operational, and design requirements as necessary and appropriate.

³ Per Compliance Section email dated May 26, 2006.

Summary

Conclusions

1. Staff believes that the system has adequate production and storage capacity however Staff was not able to verify this because of the lack of sufficient plant and water use data.
2. The F & F Water system is not regulated by ADEQ because it is a semi-public system.
3. F & F Water is not within any Active Management Area, and consequently is not subject to ADWR reporting and conservation rules.
4. A check of the Utilities Division compliance database indicated that there were no delinquent compliance items for F & F Water.

Recommendations

1. Staff recommends that St. David read its well meter and individual customer meters on a monthly basis so as to accurately complete the attached plant summary and water use data sheets. Staff further recommends that the completed plant summary and water use data sheets be filed with Docket Control as a compliance item in this case within 12 months of the effective date of the Commission's Decision in this matter.
2. Staff recommends that St. David file a curtailment tariff within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's web site at www.cc.state.az.us/utility/forms/Curtailment-std.pdf.

Company Name:
ADEQ Public Water System Number:

WATER COMPANY PLANT DESCRIPTION CONTINUED

MAINS			CUSTOMER METERS	
Size (in inches)	Material	Length (in feet)	Size (in inches)	Quantity
2			5/8 x 3/4	
3			3/4	
4			1	
5			1 1/2	
6			2	
8			Comp. 3	
10			Turbo 3	
12			Comp. 4	
			Turbo 4	
			Comp. 6	
			Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

STRUCTURES:

OTHER:

WATER USE DATA SHEET

Company Name:
ADEQ Public Water System Number:

MONTH/YEAR (Most recent 12 Months Available)	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED* (Thousands)	GALLONS PURCHASED* (Thousands)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
TOTAL	N/A			

Is the water utility located in an ADWR Active Management Area ("AMA")?

☐ YES ☐ NO

Does the Company have an ADWR gallons per capita day ("GPCD") requirement?

☐ YES ☐ NO

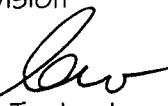
If Yes, please provide the GPCD amount: _____


Note: If you are filing for more than one system, please provide separate data sheets for each system. For explanation of any of the above, please contact the Engineering Supervisor at 602-542-7277.

** The total of gallons pumped and gallons purchased should not equal or be less than the gallons sold.*

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: June 19, 2006

RE: **F & F WATER COMPANY (DOCKET NO. W-01898A-06-0326)**
ST. DAVID SPRINGS, LLC (DOCKET NO. W-20460A-06-0326)

F & F has filed an application to transfer their CC#N to St. David Springs.

Attached is a copy of the map for your files.

:bsw

Attachment

cc: Mr. Michael McNulty
Mr. Harold Frarer
Ms. Deb Person (Hand Carried)
File

Error

An error occurred while processing this page. See the system log for more details.